

HOMEBUYER PROGRAM POLICIES: COMPARISON OF LEVY A&F PLAN, CONSOLIDATED PLAN, AND PROPOSED COMBINED POLICIES

	2012-2013 Levy A&F Plan	2013 Consolidated Plan	Proposed Language	Notes
Eligible Use of Funds	Levy funds may be used for (1) loans to assist eligible homebuyers, which may be applied towards purchase price, closing costs, and/or first mortgage loan interest rate write-down, as approved by OH, (2) site acquisition and/or development costs for a home or homes to be sold to eligible buyers, or (3) loans to nonprofit entities to assist eligible homebuyers purchase resale restricted homes.	HOME and CDBG funds may be used only for (1) subordinate mortgages to assist eligible buyers; (2) site acquisition and/or development costs for a home or homes to be sold to eligible buyers; or (3) loans to nonprofit entities to assist eligible homebuyers to purchase resale-restricted homes. OH may provide up to \$1,000 of HOME and CDBG funds to non-profit homeownership organizations at the time of loan closing to help pay for counseling services provided by such organizations in connection with each home to be sold to an eligible buyer household. However, the \$1,000 for counseling services must be authorized in the contracts between organizations awarded homeownership funding and OH, and may not be included as part of homebuyer assistance loans to homebuyers.	Homebuyer Program funds may be used for: (1) <u>Subordinate Mortgage Loans</u> : Loans to assist eligible homebuyers, which may be applied towards purchase price, closing costs, and/or mortgage loan interest rate write-down, as approved by OH; or (2) <u>Acquisition and/or Development Assistance</u> : Funding for site acquisition and/or development costs to assist eligible homebuyers purchase resale restricted homes.	Propose to clarify that policies for acquisition/development are the same as guidelines for loans to nonprofits for resale restricted homes. Propose that funding for homeownership counseling continue to be allocated through the Consolidated Plan.
Homebuyer eligibility	Buyers benefited by the program must be low-income, first-time homebuyers. Low-income means income not exceeding 80% of median income. First-time homebuyer is defined as any individual and his or her spouse/partner who have not owned a home during the 3-year period prior to the individual's purchase of the home. The term first-time homebuyer also includes an individual who is a displaced homemaker or single parent, as defined in 24 CFR Part 92 HOME Investment Partnership Program, Section 92.2 Definitions, as follows: Displaced homemaker means an individual who: 1. Is an adult;	"Eligible homebuyer" means a homebuyer that does not include any person who has owned any interest in a residence within the 3-year period immediately preceding the home purchase for which assistance under the City program is provided, unless that person is unemployed or underemployed and, during at least 2 of the 3 year period preceding the determination of eligibility, worked primarily without remuneration to care for a home and members of a household. "Low-income homebuyer" means one or more individuals who are purchasing a home for the sole purpose of occupancy as a principal residence by a low-income household that will include that	Buyers benefited by the program must be low-income, "first-time" homebuyers. A "first-time" homebuyer is a homebuyer that does not include any person who has owned any interest in a residence within the 3-year period immediately preceding the home purchase for which assistance under the City program is provided, unless that person is unemployed or underemployed and, during at least 2 of the 3 years preceding the determination of eligibility, worked primarily without remuneration to care for a home and members of a household. Eligible buyer households must purchase a	Propose to address the definition of "low-income" in the glossary and in program manuals. Propose to remove the definition of "displaced homemaker" and "single parent" (these were federal definitions under the now defunct ADDI program).

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	<p>2. Has not worked full-time full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.</p> <p>Single parent means an individual who:</p> <ol style="list-style-type: none"> 1. Is unmarried or legally separated from a spouse; and 2. Has one or more minor children of whom the individual has custody or joint custody, or is pregnant. <p>OH may narrow the definition of “first-time homebuyer” in order to ensure equitable treatment between married and non-married persons. OH may, for the same purpose, expand the “single parent” eligibility category.</p> <p>Eligible buyer households must successfully complete a pre-purchase homebuyer education program approved by OH. Borrowers must be able to financially qualify for a first mortgage approved by OH. Homebuyers may use any first mortgage product approved by OH, including FHA and Fannie Mae products, and portfolio loans. FHA 203(k) purchase-rehabilitation loans are also eligible, provided the rehabilitation amount exceeds \$5,000.</p>	<p>individual or individuals.</p> <p>In programs administered directly by the City, qualifying income will be defined using the IRS definition of adjusted gross income for reporting on IRS Form 1040, subject to any adjustments or exclusions required by federal law or regulations.</p> <p>...</p> <p>Borrowers may use any first mortgage product approved by OH, including FHA and Fannie Mae products, and portfolio loans. FHA 203(k) purchase-rehabilitation loans are also eligible, provided the rehabilitation amount exceeds \$5,000.</p>	<p>home in Seattle and use it as their principal residence, and must successfully complete a pre-purchase homebuyer education program approved by OH. Borrowers must be able to financially qualify for a first mortgage approved by OH. Homebuyers may use any first mortgage product approved by OH, including FHA and Fannie Mae products, and portfolio loans. FHA 203(k) purchase-rehabilitation loans are also eligible, provided the rehabilitation amount exceeds \$5,000.</p>	
Homebuyer Contribution	<p>Eligible homebuyers benefitting from Homebuyer Program assistance must provide a minimum of \$2,500 or 1% of the purchase price, whichever is greater, of their own funds toward the home purchase. Homebuyers may receive gifts of funds towards their portion of the downpayment; however, gifts must not exceed 25% of the homebuyer's total</p>	<p>Borrowers must provide a minimum of \$2,500 or 1% of the purchase price, whichever is greater, of their own funds toward the home purchase as a condition to any homebuyer assistance loan. Homebuyers may receive gifts of funds towards their portion of the downpayment; however, gifts must not exceed 25% of the borrower's total</p>		<p>No substantive difference – propose to retain language.</p>

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	<p>downpayment requirement. Homebuyers may provide a lower contribution as follows: (1) for eligible buyers participating in an OH-approved nonprofit-sponsored sweat equity housing program that requires significant participation by the homebuyer, the homebuyer's contribution of volunteer time may be accepted in lieu of the minimum cash contribution; and (2) for eligible buyers who have a long-term disability and whose household income includes SSI or similar public income support, gifts may constitute up to 75% of the homebuyer's total downpayment requirement.</p>	<p>downpayment requirement. Borrowers with incomes 60% of median income or less may provide a lower contribution as follows: (1) for eligible buyers participating in an OH-approved nonprofit-sponsored sweat equity housing program that requires significant participation by the homebuyer, the homebuyer's contribution of volunteer time may be accepted in lieu of the minimum cash contribution; and (2) for eligible buyers who have a long-term disability and whose household income includes Supplemental Security Income or similar public income support, gifts may constitute up to 75% of the homebuyer's total downpayment requirement.</p>		
Property Requirements	<p>All types of for-sale units are eligible, including single-family residences, condominium units, limited equity cooperatives, co-housing, land trusts, and homes on leased land. Purchases of investment properties are not allowed under this program. Homes with an accessory dwelling unit are eligible, provided that the buyer will be an owner-occupant of the home. A lease-to-own contract or long-term lease may be considered a purchase. Borrowers may purchase any type of residential property, whether currently owner- or renter-occupied or vacant. If tenants are displaced as a result of a sale to a buyer who will become an owner-occupant under this program, tenant relocation assistance, if any, will not be paid out of Levy funds.</p>	<p>Purchases of investment properties are not allowed under this program. All types of for-sale units are eligible, including single-family residences, condominium units, limited equity cooperatives, co-housing, land trusts, and homes on leased land. Homes with an accessory dwelling unit (ADU) are eligible, provided that the buyer will be an owner-occupant of the home and ADU tenants and rents meet household income limits and affordability requirements, per HOME regulations. A lease-to-own contract or long-term lease may be considered a purchase.</p> <p>The value of the home must not exceed 95% of the median purchase price in Seattle, as published by HUD, or as determined locally through market analysis in accordance with HUD HOME Program requirements, or as allowed by any HUD exception or policy revision.</p>	<p>All types of for-sale units are eligible, including single-family residences, condominium units, limited equity cooperatives, co-housing, land trusts, and homes on leased land. Purchases of investment properties are not allowed under this program. Homes with an accessory dwelling unit are eligible, provided that the buyer will be an owner-occupant of the home. A lease-to-own contract or long-term lease may be considered a purchase. Borrowers may purchase any type of residential property, whether currently owner- or renter-occupied or vacant.</p>	<p>Propose to remove language restricting home values to HOME program limits. These limits will continue to apply to HOME-assisted purchases, but do not need to be stated in OH's policies.</p> <p>Propose to remove language regarding tenant relocation assistance. OH will continue to strongly discourage any projects that cause displacement; however, if displacement occurs that OH was unaware of, assistance may be required.</p>
Maximum	Levy Homebuyer Program funding is limited to	Homebuyer assistance will be limited to the	The maximum amount of Homebuyer Program	Same levels of assistance are

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Amount of Assistance	<p>\$45,000 per assisted household, except as provided below in this section:</p> <ol style="list-style-type: none"> Subordinate Mortgage Loans When Homebuyer Program funds are used to fund subordinate mortgage loans, whether provided directly as a loan to the homebuyer or through an intermediary, guidelines in this Subsection D.1 apply. Proceeds of subordinate mortgage loans may be applied to purchase price, closing costs, or interest rates write-down of the first or subordinate mortgages. The loan amount will be limited to the amount needed for each buyer household, providing gap financing for low-income borrowers unable to qualify for sufficient private financing to purchase a home. Eligible buyers purchasing non-resale restricted homes may receive homebuyer assistance up to a maximum of \$45,000 per assisted household, including Levy funds and other City-administered funds. OH may fund subordinate mortgage loans to eligible homebuyers purchasing resale restricted homes. Homebuyers purchasing resale restricted homes may receive additional homebuyer assistance up to a maximum of \$10,000 per assisted household, including levy funds and other City-administered funds. To be eligible for additional assistance, the resale of the home must be restricted to first-time homebuyers with incomes below 80% of median income for a period of at least 50 years and the resale price must be restricted to an amount affordable to a buyer at 80% of median 	<p>amount needed for each buyer household, providing gap financing to enable low-income households unable to qualify for sufficient private financing to purchase a home. In order that single-source downpayment assistance may be provided for the convenience of borrowers, in lieu of loans from HOME, CDBG, Levy or other City funds and non-City sources to the same borrower, OH may allow a higher amount of City-funded homebuyer assistance, not to exceed \$70,000, for a borrower that receives assistance made as part of a project or lending program for which a developer or nonprofit lending agency has obtained commitments of non-City homebuyer subsidy funds, but only if all of the following conditions are satisfied:</p> <ol style="list-style-type: none"> Non-City subsidy funds provided to such project or program must be used for deferred downpayment assistance loans or other assistance that increases the ability of low-income households to purchase a home. The average amount of City-administered homebuyer assistance for all eligible households benefited by the program, including buyers who do not receive any City-administered funds, may not exceed \$55,000. Loans will generally be 30-year deferred loans. Loans may include provisions for payment of a share of appreciation. Any share of appreciation payable may be reduced and/or eliminated over time. Loan repayment terms shall specify the interest rate, which generally shall not exceed 3% simple interest; loan term; period of payment deferral; and any contingent interest or share of appreciation. 	<p>assistance (including Levy funds and other City-administered funds) is limited as follows:</p> <ul style="list-style-type: none"> For assistance to enable eligible buyers to purchase homes that will not be resale restricted, the amount of assistance will be limited to the amount of assistance needed, providing gap financing for borrowers unable to qualify for sufficient private financing to purchase a home, up to a maximum of \$45,000 per assisted household. Two exceptions to the maximum amount of assistance are: <ol style="list-style-type: none"> Eligible homebuyers with incomes below 60% of median income are eligible for a maximum total of \$55,000 in Homebuyer Program assistance, if increases in interest rates or sales prices create difficulty in qualifying households. In order that single-source subordinate mortgages may be provided for the convenience of borrowers, in lieu of assistance from Levy or other City funds and non-City sources to the same borrower, OH may allow a higher amount of City-funded homebuyer assistance, not to exceed \$70,000, for a borrower that receives assistance made as part of a project or lending program for which a developer or nonprofit lending agency has obtained commitments of non-City homebuyer subsidy funds, but only if all of the following conditions are satisfied: <ul style="list-style-type: none"> Non-City subsidy funds provided to such project or program must be 	<p>authorized, except for the \$65,000 limit for rehabs.</p> <p>Propose to authorize additional assistance in rare instances when unforeseen market conditions or development costs threaten long-term affordability.</p>

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	<p>income. Resale restrictions must be in the form of a ground lease, covenant, or other recorded document approved by OH. An additional \$10,000 in subsidy may be provided to homebuyers with income below 60% of median income if increases in interest rates or sales prices, or lack of other homebuyer subsidies, create difficulty in qualifying households. Except as provided below, the maximum loan amount for any homebuyer is \$55,000. Council approval is required if the OH Director wants to increase the maximum loan amount to more than \$55,000, except as provided below. In order that single-source subordinate mortgages may be provided for the convenience of borrowers, in lieu of assistance from Levy or other City funds and non-City sources to the same borrower, OH may allow a higher amount of City-funded homebuyer assistance, not to exceed \$70,000, for a borrower that receives assistance made as part of a project or lending program for which a developer or nonprofit lending agency has obtained commitments of non-City homebuyer subsidy funds, but only if all of the following conditions are satisfied:</p> <p>a. Non-City subsidy funds provided to such project or program must be used for deferred subordinate mortgages or other assistance that increases the ability of low-income households to purchase a home.</p>	<p>Homebuyers purchasing properties subject to resale restrictions may receive additional homebuyer assistance up to a maximum of \$5,000 per assisted household, including levy funds and other City-administered funds. An additional \$10,000 in subsidy may be provided to homebuyers with incomes below 60% of median income if increases in interest rates or sales prices, or lack of other homebuyer subsidies, create difficulty in qualifying households. The maximum loan amount for any homebuyer is \$55,000, except as expressly provided above in this Section. Council approval is required if the OH Director wants to increase the maximum loan amount to more than \$55,000. City-funded assistance for any home improvements, if committed or provided in connection with a home purchase, is considered to be assistance for the purchase and, together with the homebuyer assistance, cannot exceed the applicable funding limit except in the case of assistance provided to a nonprofit developer for home purchase or land purchase and/or improvement costs associated with an OH-approved land trust project, for which the combined homebuyer assistance and home improvement assistance may total up to \$65,000, provided that the homebuyer assistance does not exceed \$45,000.</p> <p>Eligible buyers purchasing non-resale restricted homes may receive homebuyer assistance up to a maximum of \$45,000 per assisted household, including both Levy funds and other City-administered funds, unless the maximum is increased in accordance with provisions below.</p>	<p>used for deferred subordinate mortgages or other assistance that increases the ability of low-income households to purchase a home.</p> <ul style="list-style-type: none"> ▪ The average amount of City-administered homebuyer assistance for all eligible households benefited by the program, including buyers who do not receive any City-administered funds, may not exceed \$45,000. • For assistance to enable eligible buyers to purchase resale restricted homes, the maximum amount of assistance is \$55,000 per assisted household. This maximum applies to the net amount of City assistance after any short-term acquisition and/or development loans have been repaid. Because resale restricted homes are intended to create long-term affordability for a period of at least 50 years, OH may provide the maximum loan amount of \$55,000 per homebuyer. In instances where unforeseen market conditions or development costs threaten the continued affordability of the housing, the Director is authorized to provide addition assistance to preserve long-term affordability. 	

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	<p>b. The average amount of City-administered homebuyer assistance for all eligible households benefited by the program, including buyers who do not receive any City-administered funds, may not exceed \$45,000.</p> <p>2. Loans to Nonprofits for Resale Restricted Homes When Homebuyer Program funds are used to fund acquisition loans to nonprofits that make resale restricted homes available for sale, guidelines in this subsection D.2 apply. OH may provide loans to nonprofits that make resale restricted homes available for purchase by eligible homebuyers... Because loans to nonprofits for resale restricted homes are intended to subsidize the home such that the purchase price is affordable to eligible homebuyers for a period of at least 50 years, OH may provide a loan to the nonprofit at the maximum loan amount of \$55,000 per homebuyer.</p>	<p>The \$45,000 cap includes any fees paid to non-profit homeownership organizations for counseling services. Homebuyer assistance loans include loans to homebuyers and loans to developers or prior owners assumed by, or otherwise passed through to, homebuyers.</p>		
Funding Guidelines	<p>Subordinate Mortgage Loans: Subordinate mortgage loans will generally be 30-year deferred loans. Loans may include provisions for payment of a share of appreciation. Any share of appreciation payable may be reduced and/or eliminated over time. Loan repayment terms shall specify the interest rate, which generally shall not exceed 3% simple interest; loan term; period of payment deferral; and any contingent interest or share of appreciation. The terms of the subordinate</p>	<p>Loans using the recapture option will be structured with repayment obligations, using a promissory note and deed of trust approved by OH.</p> <p>The terms of each homebuyer assistance loan, except those on resale restricted properties, shall provide that the entire principal balance is due upon sale or refinancing of the home, at the lender's option, to the extent permitted by</p>	<p>Subordinate Mortgage Loans: Homebuyer Program funds may be used to fund subordinate mortgage loans directly as a loan to the homebuyer or through an intermediary. Proceeds of subordinate mortgage loans may be applied to purchase price, closing costs, or interest rate write-downs of the first or subordinate mortgages. Subordinate mortgage loans will generally be 30-year deferred loans. Loans may include provisions for payment of a</p>	<p>Propose to clarify that policies for acquisition/development are the same as guidelines for loans to nonprofits for resale restricted homes.</p> <p>Propose to add authorization for short-term bridge financing.</p>

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	<p>mortgage loans shall provide that the entire principal balance is due upon sale or refinancing of the home, at the lender's option, to the extent permitted by applicable law. However, OH may permit assumption of the loan by another eligible buyer household in lieu of repayment.</p> <p>Loans to Nonprofits for Resale Restricted Homes: Resale restricted homes are homes that, for a period of at least 50 years, upon resale, must be sold to first-time homebuyers with incomes below 80% of median income at a resale price restricted during that period to an amount affordable to a buyer with a household income at 80% of median income. Resale restrictions must be in the form of a ground lease, covenant, or other recorded document approved by OH...</p> <p>OH loans to nonprofits that make resale restricted homes available for sale shall be generally 0% interest loans with payments deferred for 50 years.</p>	<p>applicable law. However, OH may permit assumption of the loan by another eligible borrower in lieu of repayment.</p> <p>To be eligible for additional assistance, the resale of the home must be restricted to low-income first-time homebuyers for a period of at least 50 years and the resale price must be affordable to another low-income buyer. Resale restrictions must be in the form of a ground lease, covenant, or other recorded document approved by OH.</p> <p>Homebuyer assistance loans may be used for downpayment, closing costs, and/or first mortgage loan interest rate write down, as approved by OH.</p>	<p>share of appreciation. Any share of appreciation payable may be reduced and/or eliminated over time. Loan repayment terms shall specify the interest rate, which generally shall not exceed 3% simple interest; loan term; period of payment deferral; and any contingent interest or share of appreciation. The terms of the subordinate mortgage loans shall provide that the entire principal balance is due upon sale or refinancing of the home, at the lender's option, to the extent permitted by applicable law. However, OH may permit assumption of the loan by another eligible buyer household in lieu of repayment.</p> <p>Acquisition and/or Development Loans: Homebuyer Program funds may be used to assist in the acquisition and/or development of resale restricted homes to be sold to eligible homebuyers. Resale restricted homes are homes that, for a period of at least 50 years, upon resale, must be sold to first-time homebuyers with incomes below 80% of median income at a resale price restricted during that period to an amount affordable to a buyer with a household income at 80% of median income. Resale restrictions must be in the form of a ground lease, covenant, or other recorded document approved by OH. Assistance shall generally be in the form of short-term or long-term financing. Short-term financing shall be available through loans that accrue interest at no less than 3% simple interest, with a maximum term of 2 years. The OH Director may authorize a lower rate in order to leverage other funds to create a</p>	

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			<p>blended rate of 3%. The OH Director shall have the option to allow extensions. Any extensions beyond a total term of 3 years shall be conditioned on sponsors re-submitting updated proposals for approval by OH.</p> <p>Long-term assistance shall generally be made available through 0% interest loans with payments deferred for 50 years.</p>	
Recapture and Resale Guidelines	None	<p>In conformity with HUD rules, OH will impose either resale or recapture requirements, at its option, when HOME or CDBG funds are used. The recapture or resale options may be managed by the City, a subrecipient, or other contracting party at OH's option. The recapture or resale options cannot be used together in the same loan, except that OH may recapture funds loaned to a land trust in case of a transfer of a home contrary to resale restrictions.</p> <p>For HOME or CDBG funds that are allocated for eligible development costs and programs operated by nonprofit housing agencies, the resale option may be used. In such cases, the agreement with the developer or nonprofit housing agency will provide for long-term affordability of the housing. Requirements include:</p> <ul style="list-style-type: none"> • The initial sale and any resale of subsidized units during the applicable affordability period must be made to low-income households. • The resale price during the applicable affordability period is limited to maintain an affordable purchase price for subsequent low-income homebuyers. The resale formula must also provide for a fair return to the seller. The 	None	Propose to retain HUD-required recapture and resale guidelines in the Consolidated Plan (per HUD's instructions).

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		<p>resale price and return formula must be approved in advance by OH.</p> <ul style="list-style-type: none">• New purchaser income and resale price are restricted during the affordability period via a recorded deed restriction or land covenant, or there is a purchase option or right of first refusal in favor of the City or a City-approved entity at a restricted price, or both methods are used. <p>For HOME and CDBG funds allocated to lending programs, the recapture option may be used. The City or a City-approved entity will have the right to require full repayment of the HOME or CDBG subsidy when resale occurs, regardless of the applicable affordability period, to the full extent permitted by law.</p>		
Subordination Policy		<p>Many program borrowers refinance their homes or borrow against the value of their homes, and request that their homebuyer assistance loan's lien position be subordinated to another loan. In some cases agreeing to these subordination requests could greatly increase the risk that taxpayer funds may not be paid back. The current policy of OH is that subordination requests will be evaluated by the Homeownership Program Manager and will generally follow the following conditions:</p> <ul style="list-style-type: none">• The total proposed loan to value ratio does not exceed 90% of the appraised or assessed value, whichever is less. The new loan does not have a balloon payment before the homebuyer assistance loan maturity date and is not an interest only loan.• The homeowner needs to refinance only the existing first mortgage indebtedness against		<p>Propose to address subordination policy through program manuals (unless otherwise required by HUD).</p>

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		<p>the property to take advantage of better rates, terms, and payments, and is not incurring additional indebtedness against the property, except for one or more of the following:</p> <ul style="list-style-type: none">○ Refinancing fees;○ Payments needed in order to save the house from a foreclosure;○ Costs of an urgent health and safety repair; <p>Medical, funeral, or other emergency expenses of the homeowner or immediate family that are determined to be allowable by the Homeownership Program Manager.</p>		